

**DEPARTMENT OF TRANSPORTATION**

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*Flex your power!  
Be energy efficient!*

February 5, 2009

Dear Proposition 1B Recipients:

This letter is to provide you with an update from my last letter dated January 22, 2009, concerning Proposition 1B projects funded by the Pooled Money Investment Account (PMIA). The California Department of Transportation (Caltrans) has processed payments for local agency invoices as they are received and the progress pay estimates for work performed by Caltrans' contractors on work through January 20, 2009. It is expected that the State Controller's Office will release these payments in a timely manner by the end of this week. These payments are consistent with the decision of the Pooled Money Investment Board on January 16, 2009, through which an additional \$650 million was released from the PMIA to provide funds to pay for ongoing construction contracts.

Caltrans is assessing options that will allow us to continue paying for ongoing work on bond-funded projects. However, unless the State budget impasse is resolved by Friday, or other non-State sources of funds are quickly secured for project financing, Caltrans may no longer be able to reimburse local agency sponsors for their costs on bond-funded contracts beginning February 9, 2009. Should a budget agreement not be achieved by the end of this week, representatives from our district offices will be contacting recipient agencies to determine if local funds are available to continue work on these contracts. Unless local agencies have cash-flow available to cover project expenditures for a considerable period, these projects may be subject to suspension of contract work. Caltrans will also begin the process of suspending our bond-funded contracts starting Monday, February 9, 2009.

I will continue to keep you informed of the latest developments and provide additional direction to district staff on bond-funded work. Thank you for your patience during this difficult budget situation.

Sincerely,

A handwritten signature in black ink, appearing to read "Will Kempton", with a long horizontal flourish extending to the right.

WILL KEMPTON  
Director

c: Dale E. Bonner, Secretary, Business, Transportation and Housing Agency  
Mike Genest, Director, Department of Finance  
Regina Evans, Deputy Cabinet Secretary, Office of Governor Arnold Schwarzenegger  
John Barna, Executive Director, California Transportation Commission